

Swan Ultra Short-Term Bond – EUR

January 2019



Strategy

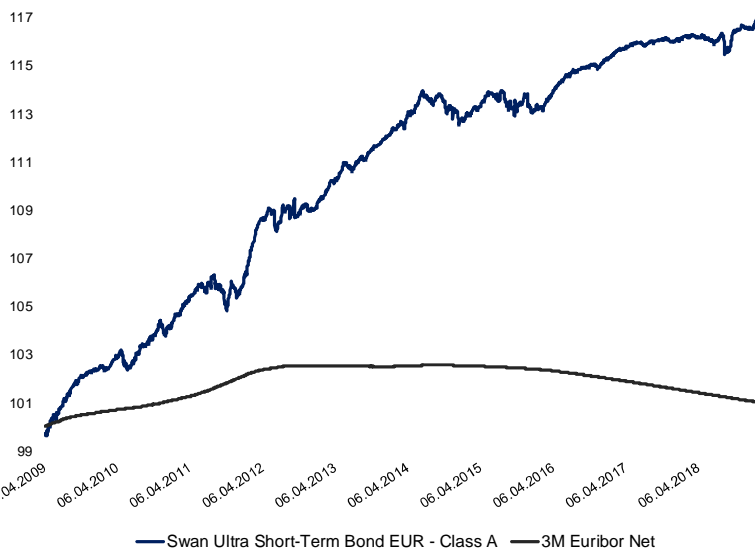
The sub-fund aims to generate excess return vs 3m Euribor in combination with extremely low volatility. The strategy combines the “buy and hold” investment in a highly diversified and granular portfolio of liquid short-term fixed income securities with the opportunistic and residual allocation of the promised average spread over risk free rate to a number of interest rate and FX active strategies.

Risk Profile

Conservative

Intermediate

High Reward



Global market picture

January was a very strong month: European credit markets were positive (H9PC Index +2.15%), likewise equity markets with Eurostoxx 50 and S&P 500 gaining respectively 5.26% and 7.87%. The FED meeting on 30th of January was the main event of the month. Markets approached the event waiting for a “reassuring” message, and in this case Powell did not disappoint investors as he did in December. FED funds rate remained stuck at 2.375%, accompanied by an ultra-dovish tone both in the Committee statement and press conference: the word “patient” came back and references to further tightening was eliminated, while balance sheet policy flexibility was confirmed. The ECB meeting did not surprise, with confirmation that growth risks are on the downside and the council will reassess policy options in March. Central banks tone had a strong influence on rates: yield on 10 Years German Bund went under further pressure (-9bps at 0.15%) in tandem with yield on 10 years Treasury down to 2.63% (-5bps in January). Notwithstanding strong rally in January, economic uncertainty remains a concern for risky assets: current pace of global growth is around 2.6%, but several headwinds have still to be resolved (US/China trade deal, Brexit and weaker than expected growth in Europe). Emerging markets reported a positive performance (+3.82%) with LATAM being the best performer during the month. EM resilience was mainly due to the dovish FED tone and constructive talks between US and China, in addition to a strong rebound in oil prices (Brent closed up 15% at 62USD per barrel).

Yield-type strategy

The bucket generated a gross positive contribution to the monthly performance, with 94% of the positions (82 out of 87) contributing positively. Positive contributions were homogeneously distributed, the only exceptions being DNONO 06/20, BAMIIM 07/20 and AABAR 03/20, while there were not significant negative contributions. The average life of the yield-type portfolio is very short (9 months or 0.77 of spread duration), combined with a yield of 2.05% and z-spread of 238 basis points.

Performance

MTD :	0.48%	Fund Assets (mIn) :	181.7 €
Since inception	17.09%	1 Year Std Dev :	0.58%
Last 12 Months :	0.74%	1 Year Sharpe Ratio :	2.16
NAVps :	EUR 117.09	positive months %:	75%

IMPORTANT NOTIFICATION:

Starting from January 2019 the fund will be renamed the **Swan Ultra Short-Term Bond** to better define its strategy. Fund investment philosophy and strategy will not change.

Period	Class C*	Class A	Portfolio info	
MTD	0.50%	0.48%	# of Securities	102
YTD	0.50%	0.48%	% Weight	98.74%
6 months	0.75%	0.66%	Int Dur	0.18
1 year	0.93%	0.74%	Yield (gross)	2.05%
2018	0.58%	0.39%	Spread Duration	0.76
2017	0.92%	0.75%	Z-spread	238
2016	2.05%	1.86%		
2015	0.58%	0.35%		
2014	0.63%	0.54%		
2013	3.00%	2.77%		
2012	3.05%	2.84%		
2011	2.07%	1.85%		
2010	1.90%	1.73%		
2009	2.63%	2.38%		

*Class A adjusted for management fee difference used for periods before Class C inception.

FX breakdown (fully hedged)

USD	38.95%
EUR	24.48%
NOK	21.70%
GBP	1.17%
SEK	8.02%
CHF	5.17%
AUD	0.51%
SGD	0.00%
TOTAL	100.00%

Geographic breakdown

EU	14.12%
US	1.34%
Oth DEV	34.66%
LATAM	3.35%
EMEA	33.25%
ASIA	13.27%
TOTAL	100.00%

Rating breakdown

AAA	0.00%
AA	0.00%
A	3.38%
BBB	16.47%
tot IG	19.85%
BB	25.44%
B	17.26%
CCC	0.00%
tot HY	42.70%
NR	37.45%
TOTAL	100.00%

Sector breakdown - Top 10

Banking	30.30%
Services	24.15%
Real Estate	19.46%
Financial Services	7.03%
Energy	5.73%
Transportation	2.93%
Sovereign	2.40%
Leisure	2.29%
Basic Industry	1.64%
Telecommunications	1.49%

Active Strategies

The bucket generated a negative contribution this month due to the short position on 10yrs Bund Future.

Sicav Structure – Terms & Conditions

Domicile: Luxembourg

Inception Date: 1 April 2009

Minimum Investment: 1 share

Liquidity / Reporting: Daily

Fees: Class C 0.75% / Class A 1.00% Management Fee

15% Performance Fee (high water mark)

Promoter / Distributor: Corner Banca SA

Investment Manager: Swan Asset Management SA

Custodian Bank: State Street Bank Lux

Administrator Agent: State Street Bank Lux

Auditor: Ernst & Young

Bloomberg: class A: CBSWBOA LX, class C: CBSWBOC LX

ISIN: class A: LU0417109773, class C: LU0417110193

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